



SF 2163 – Child and Dependent Care Tax Credit (LSB 5622XS)
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Fiscal Note Version – New

Description

Senate File 2163 modifies the requirement that the Iowa Child and Dependent Care Tax Credit be calculated as a function of the federal tax credit. Under the federal calculation, the tax credit can be limited by a lack of federal tax liability for the taxpayer. The change will allow the taxpayer to benefit from the full Iowa tax credit even in instances where they were not allowed the full calculated federal credit due to insufficient federal tax liability. This Bill is effective upon enactment and applies retroactively to tax year (TY) 2012 and after.

Assumptions

- To receive the benefit of the retroactive applicability of the change for TY 2012 and TY 2013, impacted taxpayers will need to file amended returns for those two years.
- Only taxpayers with at least a \$50 benefit will file amended returns. The number of amended returns is projected to be 8,700 for TY 2012 and 8,100 for TY 2013.
- The refunded tax revenue, including interest, that results from amended TY 2012 and TY 2013 returns, is \$7.0 million. The refunds will occur in FY 2015.

Fiscal Impact

The changes to the calculation of the Child and Dependent Care Tax Credit are projected to reduce net General Fund revenue by the amounts in the following table. The fiscal impact continues after FY 2018 at a similar level.

Fiscal Impact - SF 2163	
Child & Dependent Care Credit	
In millions	
	General Fund Revenue Reduction
FY 2015	\$ -10.0
FY 2016	-2.8
FY 2017	-2.7
FY 2018	-2.6

The processing of 16,800 amended returns and the issuance of the associated tax refunds will result in an estimated administrative expense to the Department of Revenue of \$32,000.

Source

Department of Revenue

/s/ Holly M. Lyons

March 5, 2014

The fiscal note for this bill was prepared pursuant to [Joint Rule 17](#) and the Iowa Code. Data used in developing this fiscal note is available from the Fiscal Services Division of the Legislative Services Agency upon request.
